

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE INSPECTOR GENERAL**

**CONTROLS REQUIRED TO
IDENTIFY UNNEEDED
TELEPHONE LINES AND TO
ELIMINATE UNAUTHORIZED
TELEPHONE CHARGES**

**E. BARRETT PRETTYMAN, JR.
INSPECTOR GENERAL**

GOVERNMENT OF THE DISTRICT OF COLUMBIA

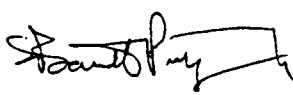


OFFICE OF THE INSPECTOR GENERAL

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MEMORANDUM

TO: Suzanne J. Peck
Chief Technology Officer

FROM: E. Barrett Prettyman, Jr. 
Inspector General

DATE: February 12, 1999

SUBJECT: Final Report - "Controls Required to Identify Unneeded
Telephone Lines and to Eliminate Unauthorized Telephone Charges"
(OIG-9839-81-9911)

Attached is the final report by the Office of the Inspector General on its review of the District's telecommunications system. This is the second in a series of reports on the systems within the District's executive and independent agencies. In reviewing the systems in the executive agencies, we found that there are approximately 9,000 unutilized telephone lines that are being paid for by the District costing approximately \$1.8 million per year. We also found that third party billing scams of unauthorized telecommunications service fees have cost the District more than \$30,000 over the first eight-month period of calendar year 1998. In addition, by not fully utilizing the FTS2000 long distance program, available through the Federal Government's General Services Administration, the District lost approximately \$173,000 in savings over a twelve-month period. Lastly, the District paid Gross Sales Receipt (GRS) taxes amounting to approximately \$781,000 which, according to District law, did not have to be paid because the District is exempt from these taxes.

The District agencies did not do periodic surveys of telephone utilization nor did they notify the telephone company, Bell Atlantic, when lines were no longer needed. There was little or no oversight over District employees making unauthorized long distance phone calls using the "10-10" dialing prefix plus a long distance carrier's access code. There were some attempts to convert District telephone lines to the less expensive FTS2000 program for long distance calls, but much more needs to be done. In addition, the District has not taken advantage of the law that exempts its payment for GSR. As a result, the District is expending unnecessary monies on its telecommunications system and is not taking advantage of savings that could be realized through better controls and oversight.

Suzanne J. Peck, Chief Technology Officer

February 12, 1999

OIG 9839-18-9911

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Officials from the Offices of the Chief Technology Officer, and Finance and Resource Management, concurred with the recommendations in our report. We incorporated the appropriate response after each of our recommendations in addition to including their full responses as appendices to this report.

Should you have any questions in regard to this report or need additional information, please contact me at the number above, or John N. Balakos, Assistant Inspector General for Audits, at (202) 727-9749.

Attachment

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**DISTRICT OF COLUMBIA GOVERNMENT
OFFICE OF THE INSPECTOR GENERAL**

**CONTROLS REQUIRED THAT IDENTIFY
UNNEEDED TELEPHONE LINES AND TO ELIMINATE
UNAUTHORIZED TELEPHONE CHARGES**

PURPOSE

The Office of the Inspector General (OIG) has completed the second in a series of reviews of the financial and operational controls over the telecommunications systems of the Government of the District of Columbia (District). The overall objective of our audit was to determine whether the telecommunications system was adequately controlled in terms of administrative oversight; whether monies were efficiently spent on the system; and whether usage for this system was for official purposes.

In our previous audit report (OIG Number 9830-09) entitled, "Review of Controls Over the Telecommunications System Within the Government of the District of Columbia", dated September 28, 1998, we concentrated on the budgeted amounts for telecommunications services, the internal controls over the telecommunications services, and delinquent payments. In this review, we concentrated on the utilization of telephone lines and whether the District is paying for telephone services it did not request.

Our review showed that (1) there are approximately 9,000 unutilized telephone lines that are being paid for by the District costing approximately \$1.8 million per year; (2) third party billing scams of unauthorized telecommunication service fees has cost the District more than \$30,000 over the first eight-month period of calendar year 1998; (3) the District lost approximately \$173,000 in savings over a twelve-month period by not fully utilizing the FTS2000¹ program; and (4) the District paid the phone company Gross Receipt Sales (GRS) taxes amounting to approximately \$781,000 which, according to District law, did not have to be paid because the District is exempt from these taxes. These situations have occurred because (1) agencies were not conducting periodic surveys of telephone utilization, nor were they notifying the appropriate authority when lines were no longer needed; (2) District employees were making long distance phone calls using the "10-10" dialing prefix plus a long distance carrier's access code²; (3) all District telephone lines have not been defined to the FTS2000 program; and (4) the District has

¹ FTS2000 is a General Services Administration-managed program that provides domestic long distance telecommunications to Federal agencies and the District at a lower rate than is available from regular commercial prices.

² Long distance carrier access codes are three digit codes that allow an individual to select the long distance carrier that he/she wants the long distance call routed through.

not taken advantage of the law that exempts it from GRS. As a result, the District is not taking advantage of savings on telecommunications expenditures that could be realized through better controls.

We recommended that all District agencies (executive and independent) be required to participate in the Telecommunications/Utility Audit Initiative, and that emphasis be placed on the elimination of unneeded telephone lines. Additionally, the District should take immediate steps to connect all telecommunications lines to the FTS2000 program and formally communicate to Bell Atlantic, the District's designated long distance services carrier, that charges from other carriers will not be accepted. The implementation of these recommendations should result in immediate savings in the District's telecommunications expenses. The CTO concurred in our recommendations.

BACKGROUND

The District's telecommunications system consists of more than 28,000 lines with a budget of more than \$22 million for 1999. The Office of the Chief Technology Officer (OCTO), under the Chief Management Officer, has primary responsibility for the District's telecommunications systems. The Office of Finance and Resource Management (OFRM) processes most telecommunications services bills centrally for payment.

In a memorandum dated June 19, 1998, the OFRM announced the formation of a Telecommunications/Utility Audit Initiative in partnership with Potomac Electric Power Company (PEPCO), Washington Gas, Bell Atlantic, and the Water and Sewer Authority. One of the purposes of the audit was "... to ensure that billing account information is current and represents the present government structure" In a second memorandum dated June 23, 1998, OFRM provided District agencies with a listing of Centrex lines (telephone) that were associated with each agency³. The memo requested that each agency "... (1) review the Centrex listing for accuracy and report the findings to OFRM, and (2) provide comments regarding the format of the energy reports...." The District agencies are presently in the process of doing this.

SCOPE, OBJECTIVES AND METHODOLOGY

Our review focused specifically on the telephone utilization and the detection of unauthorized telecommunications charges.

The audit objectives were to determine if:

- Controls were established for the identification and removal of unneeded telephone lines; and
- Internal controls were established for the identification and recovery of fraudulent telecommunications charges by third party billing agencies and carriers.

³ OFRM does not process telecommunications services payments for the University of the District of Columbia, D.C. General Hospital, the D.C. City Council, the Washington Convention Center, D.C. Housing Authority, and D.C. Water and Sewer Authority.

Our methodology for accomplishing the above objectives included the use of statistical sampling in the evaluation of telephone line usage. We reviewed telecommunications charges for the billing periods January 4, 1998 through August 4, 1998. We interviewed responsible management personnel within the District, Bell Atlantic, the General Services Administration, AT&T, other long distance carriers, and telecommunications billing agencies. We also visited D.C. Village to survey telephone line usage at that location.

Our audit was performed in accordance with generally accepted audit standards as promulgated by the Comptroller General of the United States.

FINDINGS AND RECOMMENDATIONS

Unutilized Telephone Lines Cost the District Government Over \$1.8 Million a Year

Our sampling of the District's use of telephone lines revealed that the District is paying for approximately 9,000 telephone lines that are not being used. As a result, we are projecting that the District is expending unnecessarily more than \$1.8 million a year in telephone charges for lines that are not needed. In discussions with Bell Atlantic, we were informed that unused lines are not automatically removed from the District's account. Bell Atlantic will only remove a line when specifically instructed to do so by the District.

The Mayor's Administrative instructions (MAI), dated July 27, 1981, entitled TITLE 2400 – Communications Management, CHAPTER 2420 - Telephone Communications, provide for "...guidelines and standards that will produce economies, [and] lead to the discontinuance of unneeded service, while ensuring efficient operations at the least possible cost...." The MAI, Section 2420.3 – Agency and Departmental Surveys, provides that "Each agency shall designate an agency telecommunications coordinator who is responsible for ... conduct[ing] periodic surveys of telephone utilization...."

For the billing period ending June 4, 1998, the Bell Atlantic portion of the Power Bill showed that the District was billed \$531,806 in monthly line charges for all telecommunications lines. Of that amount, \$445,912 was reoccurring monthly usage charges for the District's 25,108 telephone lines and the remainder (\$85,894) was reoccurring monthly usage charges for telecommunications circuits.

From our sample of a universe of 25,108 telephone lines over billing periods January 4, 1998 to June 4, 1998, we projected that approximately 8,900, or 35.6%, of the telephone lines were not actively used over the six-month period of our review.

The average monthly charge for each telephone line was \$16.80. Projecting this cost over the approximately 8,900 lines results in an annual cost to the District in excess of \$1.8 million.

Included in the 25,000 lines were numbers that belonged to private companies whose usage and monthly service charges were billed to the District. For example, we found numbers belonging to a liquor store, a military base security force, and a broadcasting company.

An example of lines not being properly utilized or charged is the service provided to D.C. Village. For the billing period ending on July 4, 1998, Bell Atlantic billed the District over \$5,400 in monthly service charges for 142 telephone lines located at D.C. Village. The agency responsible for monitoring the telephone charges for D.C. Village was the Department of Human Services (DHS). We conducted an on-site survey with the DHS telephone coordinator to determine if all the telephone lines listed in the Power Bill were actually used by employees of DHS. Of the 142 lines, we found only 9 telephone lines that belonged to DHS. There were three telephone lines in use by the facility guards at D.C. Village, three telephone lines were used by a community service organization, two telephone lines were used by the Department of Aging, and one telephone line was used by the MPD Training Facility. The remaining 124 lines were not in use or the users could not be identified. The DHS telephone coordinator informed us that a request will be submitted to have the unidentified 124 telephone lines terminated and to have the 9 telephone lines that belong to DHS transferred to that agency.

District agencies did not conduct periodic surveys of telephone utilization, nor did they notify the appropriate authority when lines were no longer needed. This situation will continue unless there is a concerted effort by all District agencies (executive and independent) to identify unneeded telephone lines and have Bell Atlantic remove them from the District's account.

The circumstances outlined above give urgency to the OFRM's Telecommunications/Utility Audit Initiative that is currently underway. The initiative is designed to "... ensure that billing account information is current and represents the present government structure ... [and] provide OFRM with the capability to improve its service delivery by justifying the expenditures being charged to client services in the areas of energy consumption and telecommunications."

RECOMMENDATION

We recommended that all District agencies be required to participate in the Telecommunications/Utility Audit Initiative or a similar initiative with emphasis on eliminating unneeded telephone lines and to identify and remove the excessive features from the telephone lines in use.

AGENCY COMMENTS

The OFRM stated that it has requested that Bell Atlantic provide agency specific telephone line information in a format that will assist OFRM and agencies in identifying all telephone lines that do not show activity and anticipate completion of the initiative by early 1999.

The OCTO responded that it "... is currently in the process of establishing controls that identify unneeded telephone lines...." Specifically, the OCTO stated:

"A meeting has been held with Bell Atlantic on November 19, 1998, to request a complete inventory of all DC Government billed telephone lines. This inventory report will be submitted to the OCTO on a monthly basis. This will ensure ongoing compliance and validate that disconnect has occurred.

“An analysis will be conducted to determine the utilization/non-utilization of each line.... It is projected that all verified/certified lines will be disconnected by July 1999.

“A comparison of the inventory from Bell Atlantic to the service requests from the DC Government issued to Bell Atlantic will determine the lines that were not authorized by the DC Government. The resulting data will be the basis of service request disconnect issuance to Bell Atlantic.

“Tracking methodology will be established by OCTO to record and verify the line disconnection by Bell Atlantic....”

OIG COMMENTS

We concur with the actions proposed by both the OCTO and OFRM. We believe that this will eliminate unneeded telephone lines that will ultimately result in telecommunications costs savings.

Unauthorized Service Charges Resulting From Billing Scams Cost the District More Than \$30,000 Over an Eight-Month Period

Our review of the Bell Atlantic Power Bills for the period January 4, 1998 to August 4, 1998, revealed certain “phantom service charges” amounting to over \$30,000. The charges were for service charges, voice mail fees, access fees, and minimum use fees. The average billing for these charges was about \$3,720 per month.

These unauthorized service charges were passed on by Bell Atlantic to the District for billing services and telecommunications carriers ⁴ other than Bell Atlantic and AT&T. Most of these unauthorized charges are the result of a practice known in the telecommunications industry as “cramming.” Cramming, according to the National Fraud Information Center, occurs when monthly charges appear on the telephone bill for optional services that were never authorized. Bell Atlantic has issued a consumer alert through its Web Page about the scam called “cramming.” These phantom charges appear imbedded within the Power Bill as Toll Call ⁵ charges.

MAI TITLE 2400 – Communications Management, CHAPTER 2420 – Telephone Communications contains a policy that provides, “... All service bills are audited.... Discrepancies should be brought to the attention of the agency.... Long Distance calls made improperly should be referred to the telephone company for investigation.... All third party telephone calls billed to the District Government will be referred back to the Telephone Company for investigation....”

Our review of the monthly bills revealed fees that ranged from 53 cents to \$29.90 per line. Upon further review, we found ambiguous details given for what these service(s) fees were for. Some

⁴ Telecommunications carriers are companies that provide telephone services.

⁵ Toll Call is a call to a point outside the user's immediate local calling area.

of the explanations listed were VOICEMAIL, 800VOICEMAIL, CALLING CARD, MINIMUM USE, ACCESS GROUP, UNIV SVC F, and 1PLUS ACSF.

The fees included in the August 4, 1998 Power Bill were from several billing agencies and/or local exchange carriers. We placed calls to a number of these billing agencies and carriers to determine the services that the fees represented and who authorized the services. The following are some examples of the types of service fees billed in the August 4, 1998 Power Bill, and the comments we received from the billing agencies and carriers:

- On September 11, 1998, we were informed by a billing agency that it billed the District's local carrier (Bell Atlantic) on behalf of another. It stated that it is a billing service and did not have details of the charges. We were told to call the company for which it was billing the District.

When we called the company, the customer service representative informed us that the company was a long distance calling card company. Once a customer establishes an account (calling card) with the company, a minimum use fee (\$4.06) is billed monthly through the local carrier. In addition to the minimum use fee, a universal service fee is billed (\$.56). The universal service fee is a fee approved by the Federal Communications Commission that the telecommunications companies are required to pay. This cost is passed onto the companies' customers.

The company customer service representative stated that applications for the company's calling cards are available at local retail outlets. Applicants complete the applications and designate the home or work number as the billing number. The billing agency billed the District \$230.08 for the billing period ending August 4, 1998 for monthly "minimum use fees" and "universal service fees".

- On September 15, 1998, we were informed by a customer service representative of another billing agency that it was a billing service for more than 500 telecommunications carriers, and that the monthly charges appearing in the Power Bill were from one of its long distance carrier customers. We called the long distance carrier and were informed that there were no accounts established with it and that the billing agency should not have billed the monthly charges. The billing agency billed the District \$185.48 for "service charges."
- On September 15, a customer representative of another billing agency informed us that the monthly access fees were billed on behalf of another long distance carrier. The customer service representative of the billing agency would not provide us with a telephone number of the long distance carrier. It stated that if a customer wanted to have an account deactivated or dispute charges, the customer would have to supply the billing agency with billing information for research. The billing agency billed the District \$586.34 for "voice mail access," "1Plus access fees", and "800voice mail."

- In response to our inquiry about other service fees on the monthly telecommunications bill, the customer service representative of another billing agency stated that there was no record of an account established for the District and that we should contact our local carrier. The billing agency billed the District for calling card charges amounting to \$1,163.84.

Most of these unauthorized service fees are the result of District employees making long distance calls by dialing the "10-10" prefix, a three digit access code of an long distance carrier, and then the area code and number. This process is the result of an April 7, 1997, amendment to a Federal Communications Commission policy which enables callers, in equal access areas, to reach any carrier of their choice, pre-subscribed or otherwise, by dialing the carrier's access code. However, once a call is placed through these long distance carriers, in some cases unknown to the caller, an account is established for the number from which the call was made, and the number is billed as monthly usage service charges through the local carrier (Bell Atlantic).

Unless the District employees are informed of the tactics used by the telecommunications companies, the District will continue to be charged unnecessarily for these activities. Some activities which could result in fraudulent services charges are the acceptance of collect calls from or returning phone calls to unfamiliar telephone numbers or persons; filling out applications for calling cards using the work telephone number as the billing number; and responding to voice prompts on incoming calls that ask for the acceptance of charges for the call or other services.

RECOMMENDATIONS

We recommended that:

1. The OFRM take immediate steps to identify and recover the costs of the fraudulent service charges that have billed and paid for by the District Government.
2. The OFRM develop policies and procedures for the review of monthly telecommunications bills for unauthorized service fees and the process for their removal.
3. The OCTO designate, in writing to Bell Atlantic, the District Government's preference for a long-distance carrier and that charges from other long distance carriers will not be accepted.
4. The OCTO establish policy that (1) outlines the conditions under which District employees may accept collect calls, (2) specifically prohibits employees from making long distance calls using the "10-10" dialing prefix, and (3) outlines conditions when calling cards can be issued to District employees.

AGENCY COMMENTS

The OFRM responded that: "... [OFRM] will seek to identify and collect all fraudulent service charges that have been billed and paid for by the District Government.... OFRM [will] develop policies and procedures for monthly review of telecommunications bills...."

The OCTO stated that it "... [i]nstruct[ed] Bell Atlantic to place restrictions on all lines to prevent future 'slamming' to all carriers other than FTS2000 [AT&T].... [and] 'block' all unauthorized calls to such prefixes as time, weather, 900, 800, etc.... The exceptions to this will require sign-offs by agency heads via a document to OCTO...."

OIG COMMENTS

We concur with the planned corrective action by both the OFRM and OCTO. We believe this will reduce the risk associated with telecommunications fraud in addition to costs.

The District Government Lost Approximately \$173,000 By Not Fully Utilizing the FTS2000 Program

Our review revealed that over the period October 4, 1997 to September 4, 1998, the District lost approximately \$173,000 on long distance calls by not fully utilizing the FTS2000 program. Approximately 57,000 long distance calls were made from District telephone lines that were not identified to the FTS2000. These long distance calls resulted in billings at the higher AT&T commercial per-minute rate.

MAI TITLE 2400 – Communications Management, CHAPTER 2420 – Telephone Communications, provides that "... In no case will ... expensive services be provided where more economical facilities are available...."

A review of long distance charges for a twelve-month period revealed that by recalculating the actual FTS2000 long distance per-minute rate of 7 cents ⁶ and comparing the results to the actual AT&T commercial rate billed, a potential savings resulted as shown in the following table:

⁶ The AT&T FTS2000 coordinator stated the District receives a per-minute rate between 6 cents and 7 cents on all long distance FTS2000 calls.

BILLING PERIOD	AT&T COMMERCIAL RATE COST	FTS 2000 @ 7 CENTS PER-MINUTE	FTS2000 SAVINGS
October 4, 1997	\$18,608.62	\$3,024.56	\$15,584.06
November 4, 1997	\$15,145.39	\$1,256.71	\$13,888.68
December 4, 1997	\$13,853.66	\$1,840.58	\$12,013.08
January 4, 1998	\$ 12,875.59	\$ 1,536.43	\$ 11,339.16
February 4, 1998	\$ 8,966.36	\$ 1,014.51	\$ 7,951.85
March 4, 1998	\$ 13,772.51	\$ 1,580.74	\$12,191.77
April 4, 1998	\$ 20,273.29	\$ 2,339.40	\$ 17,933.89
May 4, 1998	\$ 21,325.26	\$ 2,388.61	\$ 18,936.65
June 4, 1998	\$ 16,808.36	\$ 1,527.19	\$ 15,281.17
July 4, 1998	\$ 17,118.69	\$ 1,550.92	\$ 15,567.77
August 4, 1998	\$ 16,352.60	\$ 2,044.70	\$ 14,307.90
September 4, 1998	\$ 20,561.76	\$ 2,530.64	\$ 18,031.12
TOTALS	\$195,662.09	\$24,634.99	\$173,027.10

The District's FTS2000 coordinator told us that, by 1995, all District agencies were mandated to have their telephone lines connected to the FTS2000. The District could then receive volume discounts. The more lines added to the FTS2000, the cheaper the rates would be. The District's FTS2000 coordinator could not provide us with a copy of the mandate or current FTS2000 per-minute rate. However, we were told that approximately 5,600 lines were added to the FTS2000 in 1997. Currently, one employee in the OFRM performs the process of adding lines to the FTS2000. However, this employee is also responsible for processing the District's monthly telecommunications bills for payments.

We called GSA, Bell Atlantic, and AT&T in an attempt to obtain the District's current FTS2000 per-minute rate. We were unsuccessful in our attempts. However, the systems engineer for the District's account at Bell Atlantic informed us that approximately 80 percent of the District lines have been connected to the FTS2000, although agencies like the University of the District of Columbia, the Courts, D.C. General Hospital, and St. Elizabeth's Hospital were not connected.

Since the intent of the FTS2000 program is to save on telecommunications cost through volume purchasing, the District should establish a requirement that all current and future telephone lines be connected to FTS2000.

RECOMMENDATIONS

We recommended that:

1. The functions of the District's FTS2000 program coordinator move from the OFRM to the OCTO.
2. The OCTO issue a District-wide mandate requiring that all current and future telecommunications lines be connected to the FTS2000.

AGENCY COMMENTS

The OCTO responded that "... OCTO is taking the following steps to ensure that all DC Government lines are converted to FTS 2000... Bell Atlantic [has been instructed] that all DC Government telephone lines be converted to 1010387 which is the Primary Inter-exchange Carrier (PIC) for FTS2000."

OIG COMMENTS

We believe that the OCTO request to Bell Atlantic that all District telecommunications lines be converted to the FTS2000 will reduce the District telecommunications costs.

The District Inappropriately Paid Approximately \$781,000 in Gross Sales Receipts Tax Surcharges

During the billing periods November 4, 1997 to September 4, 1998 the District paid GSR taxes amounting to approximately \$781,000. The GSR taxes were added to the telephone services bills.

The District Code § 47-2005 states, "*Gross receipts from the following sales shall be exempt...(1) Sales to the...District....*" Since GSR taxes are collected from vendors who sell various services and products within the District, the payment by the District of GSR taxes is unnecessary.

Our analysis of the monthly Bell Atlantic Power Bills revealed that the District was billed approximately \$781,000 for GSR taxes on telecommunications services during the billing periods November 4, 1997 to September 4, 1998. The following table breaks down the billings on a monthly basis:

BILLING PERIOD	TOTAL MONTHLY BILLING	GROSS SALES RECEIPT TAXES
October 4, 1997	\$974,197.40	\$61,695.42
November 4, 1997	\$904,392.39	\$57,124.59
December 4, 1997	\$891,288.46	\$56,604.23
January 4, 1998	\$917,780.11	\$67,000.40
February 4, 1998	\$903,322.48	\$57,545.22
March 4, 1998	\$1,005,495.02	\$63,929.30
April 4, 1998	\$1,151,096.74	\$78,389.09
May 4, 1998	\$1,041,703.55	\$66,405.30
June 4, 1998	\$1,051,469.80	\$69,414.68
July 4, 1998	\$1,105,801.32	\$66,743.99
August 4, 1998	\$1,018,785.82	\$65,317.04
September 4, 1998	\$1,091,717.46	\$70,719.20
Total Billings/GSR	\$12,057,050.55	\$780,888.46

Our review showed that these GSR taxes were paid by OFRM to Bell Atlantic on behalf of the District agencies as part of the telephone bill. Additionally, there are no OFRM policies and procedures governing the payment of GRS taxes.

Although the District receives these taxes back from the vendors, this practice has resulted in funds not being available that could have been channeled to other operational areas because the District has not taken advantage of the law that exempts it for paying GSR taxes. Additionally, since prior year expenditures are used in budget forecasting, the inclusion of GSR taxes as part of the prior year telecommunications expenditures will distort the forecast.

RECOMMENDATION

We recommended that the District take advantage of the DC Code and deduct GSR taxes from telecommunications bills before payment.

AGENCY COMMENTS

The OCTO responded that "... OCTO will draft a letter to all agencies and the DC Financial Office communicating the exemption from the Gross Sales receipt taxes.... OCTO will monitor periodically the agencies adherence to the exemptions as it relates to telecommunications services...."

OIG COMMENTS

We believe that the OCTO's action will reduce the District's telecommunications costs.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE CHIEF TECHNOLOGY OFFICER**

**REPORT TO THE OFFICE OF THE INSPECTOR GENERAL
THE DISTRICT CONTROLS THAT IDENTIFY UNNEEDED
TELEPHONE LINES AND FRAUDULENT CHARGES**

**Suzanne Peck
Chief Technology Officer**

November 20, 1998

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE CHIEF TECHNOLOGY OFFICER**

**REPORT TO THE OFFICE OF THE INSPECTOR
GENERAL
THE DISTRICT CONTROLS THAT IDENTIFY UNNEEDED
TELEPHONE LINES AND FRAUDULENT CHARGES**

**Suzanne Peck
Chief Technology Officer**

November 20, 1998

OFFICE OF THE CHIEF TECHNOLOGY OFFICER
RESPONSE TO THE OFFICE OF THE INSPECTOR
GENERAL REGARDING CONTROLS THAT IDENTIFY
UNNEEDED TELEPHONE LINES AND FRAUDULENT
CHARGES

PURPOSE

The Office of the Chief Technology Officer (OCTO) is currently in the process of establishing controls that identify unneeded telephone lines and fraudulent charges. This document contains the steps that OCTO will plan and begin implementation by the end of the calendar year 1998. At the end of the year 1998, a full and complete accounting will be forwarded to the Office of the Inspector General (OIG) listing the OCTO progress in complying with the OIG report. Additionally, a full report of the implementation completion will be forwarded to the OIG. The current OCTO implementation plans are contained within this document.

IMPLEMENTATION PLANS

Non-Utilized Telephone Lines

- A meeting has been held with Bell Atlantic on November 19, 1998, to request a complete inventory of all DC Government billed telephone lines. This inventory report will be submitted to the OCTO on a monthly basis. This will ensure ongoing compliance and validate that disconnect has occurred.
- An analysis will be conducted to determine the utilization/non-utilization of each line. This analysis will be labor intensive, as each line will have to be verified as non-working by the various Government Agencies. It is projected that as each agency verifies/certifies each line, the authorization for disconnection will be forwarded to Bell Atlantic. It is projected that all verified/certified lines will be disconnected by July 1999.
- A comparison of the inventory from Bell Atlantic to the service requests from the DC Government issued to Bell Atlantic will determine the lines that were

not authorized by the DC Government. The resulting delta will be the basis of service request disconnect issuance to Bell Atlantic.

- Tracking methodology will be established by OCTO to record and verify the line disconnection by Bell Atlantic. Further, OCTO will project the cost savings to the DC Government as disconnects occur.

IMPLEMENTATION PLANS (CONTINUED)

Third Party Billing Scams of Unauthorized Service Fees

OCTO is taking the following steps to ensure that all DC Government lines are converted to FTS 2000:

- Met with Bell Atlantic on November 19, 1998, to instruct that all DC Government telephone lines be converted to 1010387 which is the Primary Inter-exchange Carrier (PIC) for FTS2000.
- Follow-up with a letter to Bell Atlantic from OCTO to re-iterate the intended conversion to FTS2000.
- Instruct Bell Atlantic to place PIC restrictions on all lines to prevent future "slamming" to all carriers other than FTS2000.
- Request from Bell Atlantic written verification from the Bell Atlantic switches that the conversions have been completed.
- Document and forward a letter to all DC Government Telecommunications Representatives outlining and recommending all future steps in conjunction with PIC and PIC Restrictions.

Additionally, OCTO instructed Bell Atlantic to "block" all unauthorized calls to such prefixes as time, weather, 900, 800, etc., as they generate message units as well as may incur long distance charges. The exceptions to this will require sign-offs by agency heads via a document to OCTO. In addition to the restrictions and code blocking, OCTO will also work with the agencies to identify exceptions. It is recommended that any exceptions to blockage or restrictions be approved by agency department heads. OCTO will pursue alternatives for the implementation of the exceptions via recommendations obtained from Bell Atlantic and FTS2000.

Once all DC Government lines have been converted to FTS2000 as their Primary Inter-exchange Carrier, FTS2000 Network Security is available to FTS2000

users. Working through GSA, the DC Government can then begin investigations on third party billing scams.

EXEMPTION FROM GROSS SALES RECEIPT TAXES

- OCTO will draft a letter to all agencies and the DC Financial Office communicating the exemption from the Gross Sales receipt taxes.
- OCTO will monitor periodically the agencies adherence to the exemptions as it relates to telecommunication services.
- OCTO will draft a letter to Bell Atlantic to notify them that all future gross sales receipt taxes placed on the invoice to the DC Government will not be paid. Further this letter will state that the DC government will be pursuing a credit for all previously paid gross receipt taxes that can be identified by the DC Government.

SUMMARY

OCTO will assist DC Government agencies in conducting periodic surveys of telephone utilization and in partnership with the agencies, develop a long term plan to notify the appropriate authority when lines are no longer needed. OCTO will also assist DC Government Agencies in identifying, crediting, and removing all billing that has not been authorized.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE CHIEF FINANCIAL OFFICER

OIG Number 9839-18-9911
APPENDIX II
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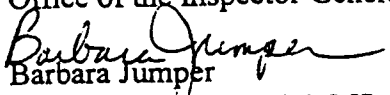
OFFICE OF FINANCE
AND RESOURCE MANAGEMENT (DAS)
BARBARA D. JUMPER, DEPUTY CFO
DENNIS C. GILL, ASSISTANT DEPUTY CFO



REPLY TO
441 4TH STREET, N.W.
EIGHTH FLOOR
WASHINGTON, D.C. 20001

MEMORANDUM

TO: E. Barnett Prettyman, Jr.
Inspector General
Office of the Inspector General

FROM: 
Barbara Jumper
Deputy Chief Financial Officer
Office of Finance and Resource Management

DATE: November 18, 1998

SUBJECT: OFRM's response to Daft report OIG # 9999-09

Please be informed that the Office of Finance and Resource Management (OFRM) acknowledges receipt of your draft report OIG #9999-09 and has prepared an attached response to the recommendations outlined in your report.

It is important to note that OFRM concurs with the recommendations pertaining to OFRM and had previously factored these in the desired outcomes, as outlined in the attached Specific Objectives analysis.

It is my wish to assure you that these issues will be addressed as we move toward the execution of the tasks outlined in the OFRM Audit Initiative.

Attachments

The Office of Finance & Resource Management initiated an effort with Bell Atlantic to achieve the following specific objectives:

1. To establish a database of all chargeable accounts aligned to which agencies they apply thereby facilitating the generation of agency specific reports.
2. To review, recommend and implement improvements in the billing methodologies to facilitate timely payments of telephone charges.
3. To review and recommend policies and procedures particularly in the area of information flows and decisions which can have a fiscal impact
4. To identify cost saving opportunities and an implementation schedule.
5. To review and comment on rate and tariff structure.
6. To identify the steps being taken to improve service delivery to client agencies of the District Government.

OBJECTIVE #1 requires Bell Atlantic to provide to OFRM information presented in a format that will assist OFRM to identify and recover the costs of fraudulent service charges billed and paid by the District Government. The specific format requirements are as follows:

- A breakdown by agency of monthly billing charges for the past three fiscal years.
- A breakdown sorted by Agency, BAC and telephone numbers and charges for FY 1998
- A breakdown sorted by agency and by BAC of all lines that do not show activity. (to be defined)

OBJECTIVE #2 will aid in identifying the obstacles which prevent timely payments and provide a basis for the development of an action plan to promote an OFRM payment cycle that is both efficient and effective.

OBJECTIVE #3 will be achieved through the use of a flow chart depicting "as is" and "to be" models. Thereby, providing a method by which risk analysis can be measured.

OBJECTIVE #4 will provide a list of cost saving opportunities, which may impact the annual projections for each agency.

OBJECTIVE #5 will result in an analysis of two specific telecommunication services provided to the District Government. These services are:

- ISDN Lines
- Long Distance Service

Through this analysis the cost/benefit of ISDN lines to the District Government may be determined and a comprehensive review of the long distance service rates performed.

OBJECTIVE #6 provides OFRM a long-term benefit of developing a structured format for improved customer service with Bell Atlantic. Improved customer service from Bell Atlantic will enhance OFRM's ability to offer quality customer service to the Agencies.

RECOMMENDATION RESPONSE

In response to the recommendations put forth your Draft report OIG Number 9999-09, dated October 15, 1998, OFRM's objectives specifically addresses them in the following manner:

The recommendation that all District agencies be required to participate with emphasis on eliminating unneeded lines and excessive features is addressed under Objective #1. As outlined above, we requested agency specific information from Bell Atlantic. This provides for full agency participation and validation of existing lines.

The recommendation that OFRM take steps to identify and recover the cost of fraudulent charges is addressed under Objective #1. We will seek to identify and collect all fraudulent service charges that have been billed and paid for by the District Government.

The recommendation that OFRM develop policies and procedures for the monthly review of telecommunication bills will be addressed under Objectives 3 and 6.

OFRM anticipates the findings of the audit initiative to be finalized and completed by early 1999.

